

STAFFORD COUNTY SCHOOL BOARD

Agenda Consideration

TOPIC: Award of Health Insurance
and Dental Contract

ITEM NO: 10C

PREPARED BY: H. Charles Woodruff II
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for Financial Services
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MEETING: January 13, 2004

ACTION DATE: January 27, 2004

RECOMMENDATION OF THE SUPERINTENDENT:

That the School Board award the contract for health/dental insurance and approve recommended changes to employee benefits as outlined in the Key Points. The proposed rates for health insurance reflect a 10.4% increase effective July 1, 2004.

KEY POINTS:

- Award the contract for Health Insurance and an Indemnity Dental Plan to Anthem Blue Cross Blue Shield.
- Award the contract for DHMO managed care dental plan to Dominion Dental Services, Inc.
- Approve the expansion of the current Flexible Benefits Plan to include an Unreimbursed Medical Expense Account.
- Approve the addition of the MedExpert International, Inc., Program.

SCHOOL BOARD GOAL 6:

Introduce programs to enhance employee status, within the school division and the community at large, so that employees are aware of their value to school and community. Measurable Objective 10 - By July 2004, the school division will implement a health benefits package with options for all employees.

FUNDING SOURCE:

School Insurance Fund

AUTHORIZATION REFERENCE:

HEALTH/DENTAL INSURANCE RENEWAL SUMMARY OF RECOMMENDATIONS 2004-2005

PURPOSE

Obtaining and retaining good employees is the primary purpose for providing a health insurance plan.

GOAL

The goal of the Health Insurance Advisory Committee was to assist the Financial Services staff, and our Health Insurance Consultant, in designing a plan(s) that would provide the most health insurance value for all employees within the school division. We assumed there would be no additional contributions by the school division except for increases for inflation and participant usage.

RECOMMENDATION TO SCHOOL BOARD

- Award contract for health insurance to include three plans providing choices for employees and an indemnity dental insurance to Anthem Blue Cross Blue Shield effective July 1, 2004.
- Award contract for a fully insured managed care dental plan to Dominion Dental Services, Inc., effective July 1, 2004.
- Expand current Flexible Benefits Plan to include an Unreimbursed Medical Expense Account effective October 1, 2004 (plan year runs October 1 through September 30 each year).
- Addition of MedExpert International, Inc., effective July 1, 2004.

EXPLANATION OF RECOMMENDATION

Four members of the Health Insurance Advisory Committee, our Health Insurance Consultant, one additional teacher, and the Financial Services staff evaluated the RFP responses. The Vendor of choice is Anthem Blue Cross Blue Shield, our current provider. Anthem Blue Cross Blue Shield provided the best network, discounts, and pricing arrangements for the school division.

Anthem Blue Cross Blue Shield will provide three health insurance plans for employees. The plans are: 1) Current Benefit Design with no changes, 2) KeyCare 15 to include dental and 3) KeyCare 30 to include dental. Anthem Blue Cross Blue Shield will provide the same Indemnity Dental Plan included as part of the health benefit in the KeyCare 15 and the KeyCare 30 Plans as an option for those employees not electing a benefit design that includes dental or for those employees electing to participate only in a dental plan. The dental option provided by Anthem Blue Cross Blue Shield includes coverage for preventative, basic, restorative, and orthodontics. Both the dental and the health insurance use the PPO Anthem network of providers.

Dominion Dental Services, Inc. will provide a managed care dental plan where an employee must select from an approved list of dentists provided by Dominion Dental Services, Inc. The proposed rates will remain unchanged for fiscal year 2005. Continuing this managed care dental plan as well as offering the Anthem Blue Cross Blue Shield Indemnity Dental Plan provides employees a choice and will allow those employees who have established a relationship with a particular dentist to continue their current plan. The plan provides a less expensive dental option for employees desiring this coverage.

Expanding our current Flexible Benefits Plan to include an Unreimbursed Medical Expense Account will benefit all employees in the school division. Employees will be able to lower their taxable income on a monthly basis as well as on their W-2. Also, they will have the ability to pay for medical expenses not covered by the health plan with the use of pre-tax dollars (dollars not subject to federal, state, or FICA tax). This additional benefit will be made available to employees at no cost. This benefit will begin October 1, 2004, which is the beginning of our current Flexible Benefits Plan year. It is a "use or lose" reimbursement account; employees must estimate their expenses carefully. It is recommended that \$1,500 be the maximum allowed for Unreimbursed Medical the first year.

The MedExpert International, Inc., program will provide information to any employee who on a voluntary basis chooses to participate. Participation in the health plan is not required. The MedExpert International, Inc., program uses the most current medical information and technology available to provide the employee the best treatment plan for any medical condition. This program can be offered with all health insurance plans. MedExpert International, Inc., provides information on all medical conditions in addition to the five specific medical conditions included in the Anthem Blue Cross Blue Shield Plan. Anthem's Better PreparedSM disease management program manages diabetes, congestive heart failure, coronary artery disease, and asthma.

The rates and projected costs for these recommendations are attached. The recommended changes and additions provide the school division with an avenue to recruit and retain the best and the brightest to provide a quality education for the children of Stafford County.

Stafford County Public Schools

Executive Summary

| | |
|---|--|
| Purpose | Obtaining and retaining good employees is the primary purpose for providing a health plan. |
| Goal | The goal of the Health Insurance Advisory Committee is to assist in designing a plan that will provide the most health insurance value for employees. We assumed no additional contribution by Stafford County Public Schools except for increases for inflation and participant usage. |
| Concerns | Employees want the option of keeping the current benefits. Employees want choices. Dependent coverage, particularly family coverage is too expensive. Continuing with vision is important. Better dental benefits should be considered to offset other changes. An HMO with lower cost should be an option. The plan needs to be competitive with other local school systems. |
| Competitive Choices | A triple option program is recommended with the current benefit design as the high option. The employee only contribution was set less than other local school systems and a favorable bid response allows us to reduce the single high option deduction from the originally proposed \$40 to \$34 per month. |
| Tax Savings | An Unreimbursed Medical Expense Account is recommended to reduce the impact of copayments and other out of pocket expenses. This will help the employee pay for medical expenses with pre-tax dollars. For example orthodontic out of pocket expenses could be paid with pre-tax dollars. |
| Improved Dental | The current Dominion Dental DHMO option and the addition of an Anthem Indemnity PPO Dental option is recommended. |
| Additional benefit for all employees | The addition of MedExpert International, Inc. services is recommended. This service has the potential of significantly curbing unnecessary healthcare costs. Additionally MedExpert will provide Stafford School employees with real time best-practice information on all medical conditions. This information will educate, empower and provide quality of life options based on the best and most current medical information available. It will be very difficult to quantify savings with this program and MedExpert does not focus on savings. Their focus is on providing the best information available to allow for the best medical outcome. |
| Notes: | <p>There is no plan to change the retiree health insurance policy 5-33 this year. The Board reserves the absolute right to reduce, increase, suspend, cancel or terminate such payments at any time for any reason whatsoever according to policy 5-33.</p> <p>The projected cost for the proposed Health Benefits Program is \$15.3 million. The School Board is projected to pay \$11.1 million.</p> |

Stafford County Public Schools

MedExpert Cost Information

The MedExpert program would be available to all eligible employees whether they are enrolled on the health plan or not.

The pricing for MedExpert is \$2.00 per employee per month. Based on current and projected employment figures the cost for FY 2005 is expected to be \$100,000. This cost has been drastically reduced through the bid process. We originally were given a rate of \$7.50 per employee per month.

The savings from the pharmacy portion alone is projected in MedExpert's bid response to be \$76,000. We are not focusing on the savings specifically because it will be very difficult to determine what amount of savings were generated from this program.

Stafford County Public Schools

Health Insurance Benefit Plans Proposal for FY 2005

| Benefit | Current Plan | KeyCare 15 | KeyCare 30 |
|----------------------------------|---------------------|-------------------|-------------------|
| <i>Annual Deductible</i> | \$100 / \$200 | None | \$1000 / \$2000 |
| <i>Primary Care Office Visit</i> | Ded. 80/20 | \$15 | \$30 |
| <i>Specialist Office Visit</i> | Ded. 80/20 | \$30 | \$30 |
| <i>Inpatient Hospital</i> | In Full | \$300/20% | Ded. 80/20 |
| <i>Outpatient Hospital</i> | In Full | \$100/20% | Ded. 80/20 |
| <i>Outpatient Lab & Xray</i> | In Full | 20% | Ded. 80/20 |
| <i>Routine Gyn. Annual Exam</i> | No copayment | \$30 | \$30 |
| <i>Routine Lab & Xray</i> | No copayment | 20% | 20% |
| Prescription: | | | |
| <i>Generic</i> | \$8 | \$10 | \$10 |
| <i>Brand on List</i> | \$15 | \$20 | \$20 |
| <i>Brand not on List</i> | \$1000 / \$2000 | \$2000 / \$4000 | \$3000 / \$6000 |
| <i>Out of Pocket Maximum</i> | | | |
| <i>Vision</i> | Included | Included | Included |
| Dental: | | | |
| <i>Preventative</i> | Employee Option | 0% coinsurance | 0% coinsurance |
| <i>Basic</i> | at additional | \$50 Ded. 20% | \$50 Ded. 20% |
| <i>Restorative</i> | cost. | \$50 Ded. 50% | \$50 Ded. 50% |
| <i>Orthodontic</i> | Not Included | Not Included | Not Included |
| <i>Maximum annual benefit</i> | \$1,000 | \$1,000 | \$1,000 |

This is a summary overview of benefits designed to show a general comparison.

Benefits are reduced by 30% when non-participating providers are used.

Stafford County Public Schools

Proposed Health Insurance Contributions

Triple option monthly premium, Employee and School Board contributions

Current Plan - PPO network, 100% Hospital and 100% Surgical

| Full-time Employees: | Total Premium | School Board Pays | School Board Percent | Employee Pays | Employee Percent | Employee Increase / Decrease |
|----------------------|------------------|-------------------------|----------------------------|------------------|---------------------|------------------------------------|
| Employee | \$365 | \$331 | 91% | \$34 | 9% | \$34 |
| Employee + Child | \$547 | \$377 | 69% | \$170 | 31% | \$7 |
| Employee + Spouse | \$761 | \$377 | 50% | \$384 | 50% | \$28 |
| Employee + Family* | \$972 | \$512 | 53% | \$460 | 47% | -\$84 |

KeyCare 15 w/ Dental - PPO network

| Full-time Employees: | Total Premium | School Board Pays | School Board Percent | Employee Pays | Employee Percent | Employee Increase / Decrease |
|----------------------|------------------|-------------------------|----------------------------|------------------|---------------------|------------------------------------|
| Employee | \$350 | \$331 | 94% | \$20 | 6% | \$20 |
| Employee + Child | \$529 | \$377 | 71% | \$152 | 29% | -\$12 |
| Employee + Spouse | \$726 | \$377 | 52% | \$349 | 48% | -\$6 |
| Employee + Family* | \$944 | \$512 | 54% | \$433 | 46% | -\$111 |

KeyCare 30 w/ Dental - PPO network

| Full-time Employees: | Total Premium | School Board Pays | School Board Percent | Employee Pays | Employee Percent | Employee Increase / Decrease |
|----------------------|------------------|-------------------------|----------------------------|------------------|---------------------|------------------------------------|
| Employee | \$303 | \$291 | 96% | \$12 | 4% | \$12 |
| Employee + Child | \$458 | \$377 | 82% | \$81 | 18% | -\$83 |
| Employee + Spouse | \$627 | \$377 | 60% | \$250 | 40% | -\$105 |
| Employee + Family* | \$818 | \$512 | 63% | \$306 | 37% | -\$238 |

*Where Employee + Family is elected and husband and wife are employed by the school system, Stafford Schools will pay twice the single contribution of the plan chosen.

Stafford County Public Schools

Proposed Dental Insurance Options

Dental Options available to employees not enrolled in plans that include dental.

Dominion Dental DHMO Plan 507X

| | Total Monthly Premium |
|--------------------|--------------------------------------|
| Employee | \$16.28 |
| Employee + Child | \$30.03 |
| Employee + Spouse | \$30.03 |
| Employee + Family* | \$44.77 |

Anthem PPO Dental 100/80/50/50, \$50 Deductible, \$1,000 Calendar Year maximum

| | Total Monthly Premium |
|--------------------|--------------------------------------|
| Employee | \$25.71 |
| Employee + Child | \$42.09 |
| Employee + Spouse | \$48.89 |
| Employee + Family* | \$79.66 |
| Carve Out | \$30.15 |

These dental programs are an option for eligible employees not enrolled in the middle or low option health plans. The middle and low option health plans include the Anthem PPO Dental program in the rate calculation.

The Dominion Dental DHMO is similar in rate and benefit to the current plan available to employees. This plan has a very limited dentist network and most dentists in this plan are not taking new patients. We recommend offering this plan so that employees will have the option of continuing with their current benefits.

Stafford County Public Schools

Proposed Health Insurance Enrollment and Contributions

Using bid renewal rate 10.4% and 12/2003 enrollment w/o COBRA, retiree or Food Service adding 120 positions

| <u>Enrollment</u> | <u>Current Plan</u> | <u>Proposed Triple Option Projected Enrollment</u> | | | | <u>Total New Health Benefit Structure</u> |
|-------------------|---------------------|--|---------------------------------|---------------------------------|-------------|---|
| | | <u>Current Plan</u> | <u>KeyCare 15 w/ Dental</u> | <u>KeyCare 30 w/ Dental</u> | | |
| Employee | 1,969 | 1139 | 185 | 202 | 50% | 50% |
| Employee + Child | 215 | 178 | 28 | 39 | 8% | 8% |
| Employee + Spouse | 108 | 91 | 53 | 61 | 7% | 7% |
| Employee + Family | 242 | 256 | 103 | 128 | 16% | 16% |
| No Coverage | 533 | 604 | | | 20% | 20% |
| Total | 3,067 | 3,067 | | | 100% | 100% |

| <u>Employee Contribution</u> | <u>Current Plan</u> | <u>Proposed Triple Option Contribution</u> | | | |
|-------------------------------------|---------------------|--|---------------------------------|---------------------------------|-----|
| | | <u>Current Plan</u> | <u>KeyCare 15 w/ Dental</u> | <u>KeyCare 30 w/ Dental</u> | |
| Employee | \$0 | \$34 | \$20 | \$12 | 4% |
| Employee + Child | \$180 | \$170 | \$152 | \$81 | 18% |
| Employee + Spouse | \$393 | \$384 | \$349 | \$250 | 40% |
| Employee + Family | \$602 | \$460 | \$433 | \$306 | 37% |
| Total Employee Contributions | \$2,722,646 | \$4,231,761 | | | |
| Employer Contributions | \$10,977,288 | \$10,987,154 | | | |